

Message Text

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51

ACTION EB-11

INFO OCT-01 EUR-25 EA-11 IO-13 ISO-00 AID-20 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07

OPIC-12 SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01 FSE-00

ABF-01 PA-03 PRS-01 USIA-15 AGR-20 L-03 H-03 NSC-10

SS-15 STR-08 CEA-02 DRC-01 /208 W

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R 171547Z SEP 73

FM AMEMBASSY THE HAGUE

TO SECSTATE WASHDC 1979

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LISBON

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY MADRID

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

AMEMBASSY VIENNA

USMISSION EC BRUSSELS

USMISSION NATO

USMISSION OECD PARIS

USMISSION GENEVA

USMISSION USUN

UNCLAS THE HAGUE 4073

E.O. 11652: N/A

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TAGS: EFIN, NL

SUBJ: DUTCH GUILDER REVALUED 5 PERCENT

REF: HAGUE 4057

1. ON SATURDAY SEPT 15 FINANCE MINISTRY ANNOUNCED 5 PERCENT REVALUATION OF GUILDER. INFORMAL TRANSLATION PRESS RELEASE FOLLOWS:

QUOTE: AS OF SEPTEMBER 17 THE VALUE OF THE DUTCH GUILDER IS RAISED 5 PERCENT. THE NEW EXCHANGE RATE AMOUNTS TO 0.298056 SDR, EQUAL TO 0.264874 GRAM OF FINE GOLD. CONSULTATIONS ON THIS MEASURE HAVE BEEN HELD WITH THE MANAGEMENT OF THE CENTRAL BANK, WHICH HAS DECLARED ITSELF IN AGREEMENT. THE BENELUX PARTNERS HAVE ALSO BEEN CONSULTED. THE BELGIAN AND LUXEMBOURG GOVERNMENTS HAVE DECIDED NOT TO CHANGE THE VALUE OF THE FRANC. THE PARTNERS OF THE REALM (SURINAM AND THE NETHERLANDS ANTILLES), THE EUROPEAN COMMISSION AND THE OTHER EC MEMBERS WERE INFORMED OF THE DUTCH MEASURE BEFOREHAND.

A PROPOSAL WILL BE MADE TO THE COUNCIL OF THE EUROPEAN COMMUNITIES TO CALCULATE THE PRICE-REDUCING EFFECTS OF THE REVALUATION UPON DUTCH AGRICULTURAL PRICES. TO PREVENT A DISPROPORTIONATE INCOME LOSS IN AGRICULTURE, A TEMPORARY COMPENSATION WILL BE GRANTED FOR THIS SECTOR IN THE FRAMEWORK OF THE RESTITUTION OF TURNOVER TAX.

THE REVALUATION IS JUSTIFIED BY THE STRONG POSITION OF THE DUTCH BALANCE OF PAYMENTS. THE CURRENT ACCOUNT SURPLUS IN THE PERIOD FROM MID-1972 TO MID-1973 WAS OVER 5 BILLION GUILDERS. AFTER CORRECTION OF CYCLICAL INFLUENCES, THIS SURPLUS REMAINS CONSIDERABLY ABOVE THE DESIRED LONG-TERM LEVEL.

THE GUILDER REVALUATION IS ONE OF A GROUP OF MEASURES AIMED AT BREAKING THE INFLATION SPIRAL AND IMPROVING THE EMPLOYMENT SITUATION IN THE LONG TERM AS WELL AS THE SHORT. THESE MEASURES WILL BE EXPLAINED FURTHER IN THE QUEEN'S SPEECH (AT OPENING OF PARLIAMENT ON 18 SEPT.). END PRESS RELEASE.

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2. FOLLOWING POINTS WERE REPORTEDLY MADE IN PRIME MINISTER'S PRESS CONFERENCE MORNING 17 SEPT:

A. GON SURPRISED AND PLEASED THE REVALUATION NOT LEAKED BEFORE ANNOUNCEMENT.

B. BASIC PURPOSE IS TO FIGHT INFLATION. GON FORESEES

REFLECTION OF HALF OF DEVALUATION BY MID-OCTOBER ON
PRICES OF IMPORTED GOODS AND FOOD, WITH FULL REFLECTION
BY END OCTOBER.

C. VALUE ADDED TAX ON PRODUCE WILL BE REFUNDED TO DUTCH
FARMERS FOR TIME BEING TO COUNTERACT LOSS OF INCOME
RESULTING FROM REVALUATION.

D. DUTCH CONTRIBUTION TO EC BUDGET WILL NOT BE CHANGED IN
UNITS OF ACCOUNT BUT WILL BE REDUCED IN GUILDERS.

3. WHILE 1972 BALANCE OF PAYMENTS (TRANSACTION BASIS)
SHOWED SURPLUS OF 3,357 MILLION GUILDERS, FIRST HALF OF 1973
HAS REGISTERED 2,685 MILLION SURPLUS, BRINGING LATEST 12-MONTH
SURPLUS TO 5,257 MILLION. TRADE BALANCE CONTRIBUTED TO
THIS TREND BY STRONG GAIN IN EXPORTS OVER IMPORTS RESULTING
IN SUBSTANTIAL POSITIVE BALANCE IN SECOND QUARTER 1973.
MEANWHILE LARGE SURPLUSES IN INVISIBLES WERE REGISTERED.

4. EXCHANGE MARKET FRIDAY SEPT 14 AVERAGED ABOUT 2.66 GUILDERS
PER DOLLAR. IT OPENED MONDAY AT 2.57 AND HAS SHOWN SMALL
FLUCTUATIONS WITH LOW VOLUME OF TRANSACTIONS.
TANGUY

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 17 SEP 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973THEHA04073
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: THE HAGUE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730929/aaaaauyf.tel
Line Count: 138
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: HAGUE 4057
Review Action: RELEASED, APPROVED
Review Authority: collinp0
Review Comment: n/a
Review Content Flags:
Review Date: 29 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <29-Aug-2001 by reddocgw>; APPROVED <25-Jan-2002 by collinp0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: DUTCH GUILDER REVALUED 5 PERCENT
TAGS: EFIN, NL
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005